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MAR 07 2014

PUBLIC SERVICE
COMMISSION

Mark R. Overstreet
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March 7, 2014

HAND DELIVERED

Jeff R. Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

RE: Case No. 2012-00578 (Post-Case Correspondence File)

Dear Mr. Derouen:

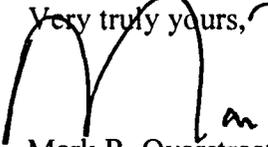
Enclosed please find a copy of the "Updated Plan of Wheeling Power Company and Petition for the Commission's Consent and Approval to Implement the Updated Plan" filed by Wheeling Power Company on March 4, 2014 with the Public Service Commission of West Virginia. Wheeling Power Company is an affiliate of Kentucky Power Company.

As the Commission is aware, Kentucky Power Company owns a fifty percent undivided interest in the Mitchell Generating Station, with the other fifty percent being owned by AEP Generation Resources Inc. By the attached filing Wheeling Power Company seeks authority from the West Virginia Commission to receive the transfer of AEP Generation Resources Inc.'s fifty percent undivided interest in the Mitchell Generating Station, and associated assets and liabilities. The transfer would not affect Kentucky Power Company's ownership or use of the Mitchell Generating Station. Kentucky Power Company will continue to operate the Mitchell Generation Station following the transfer.

Wheeling Power Company is asking the West Virginia Commission to enter an order granting the required approvals by no later than June 13, 2014 to permit the transfer to Wheeling Power Company on June 30, 2014.

A copy of the West Virginia Commission filing, along with a copy of this letter, are being served on counsel to the parties in the above matter. Please do not hesitate to contact me if you have any questions.

Jeff R. Derouen
March 7, 2014
Page 2

Very truly yours,

Mark R. Overstreet

MRO

cc: Jennifer B. Hans
Michael L. Kurtz
Shannon Fisk
Kristin A. Henry



WILLIAM C. PORTH
ATTORNEY AT LAW

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MAR 07 2014

PUBLIC SERVICE
COMMISSION

March 4, 2014

BY HAND DELIVERY

Ingrid Ferrell, Executive Secretary
West Virginia Public Service Commission
201 Brooks Street
Charleston, WV 25301

03:25 PM MAR 04 2014 PSC EXEC SEC DIV

Re: *Appalachian Power Company and Wheeling Power Company*
Case No. 11-1775-E-P

12-1655-E-PC

Dear Ms. Ferrell:

As directed by the Commission in its December 13, 2013 Order in the above-referenced proceeding (then-consolidated with Case No. 12-1655-E-PC), Appalachian Power Company and Wheeling Power Company are filing herewith in the above-referenced docket the original and twelve (12) copies of their Updated Plan to Serve the Load of Wheeling Power Company and Petition for the Commission's Consent and Approval to Implement the Updated Plan.

Very truly yours,

William C. Porth (W.Va. State Bar #2943)

Counsel for
Appalachian Power Company and
Wheeling Power Company

WCP:ss
Enclosures
c: Service List

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

CASE NO. 11-1775-E-P

**APPALACHIAN POWER COMPANY and
WHEELING POWER COMPANY,
public utilities.**

**Joint Petition for Evaluation of a Possible
Merger of Appalachian Power Company
and Wheeling Power Company.**

**UPDATED PLAN TO SERVE THE LOAD OF WHEELING POWER COMPANY
AND PETITION FOR THE COMMISSION'S CONSENT AND
APPROVAL TO IMPLEMENT THE UPDATED PLAN**

COME NOW Appalachian Power Company ("APCo") and Wheeling Power Company ("WPCo") (collectively, the "Companies") and respectfully file this Updated Plan to serve the load of WPCo as directed by the Commission's Order of December 13, 2013 in then-consolidated Case Nos. 12-1655-E-PC and 11-1775-E-P. In addition to presenting the Updated Plan, the Companies also seek the Commission's consent and approval, pursuant to W. Va. Code § 24-2-12, to implement the Updated Plan.

Procedural Background

On December 16, 2011, the Companies filed a petition initiating a proceeding for an evaluation of a possible merger of APCo and WPCo (the "Merger"). This petition was docketed as Case No. 11-1775-E-P (the "Merger Case") and considered, among other things, the power supply needs of the Companies after the Merger.

On December 18, 2012, APCo filed a petition for the approval of an arrangement by which certain generating assets then owned by Ohio Power Company ("OPCo") would be

transferred to it. This petition (the "2012 Asset Transfer Petition") was docketed as Case No. 12-1655-E-PC (the "Asset Transfer Case"). APCo sought the Commission's approval of the transfer to it of the two-thirds interest in Unit 3 of the John E. Amos Plant and associated facilities then owned by OPCo (the "Amos Asset") and a one-half interest in OPCo's Mitchell Plant and associated facilities (the "Mitchell Asset"), which has since been transferred to AEP Generation Resources Inc. ("Generation Resources"). The proposed transfer of the Amos Asset and the Mitchell Asset to APCo was designed, in part, to meet the power supply needs of the Companies after the Merger. Also, on December 18, 2012, the Companies initiated a parallel proceeding before the Virginia State Corporation Commission ("VSCC") for the approval of the transfer of the Amos Asset and the Mitchell Asset to APCo and for approval of the Merger. This proceeding was docketed as Case No. PUE-2012-00141.

On June 6, 2013, the Commission issued an Order that, *inter alia*, consolidated the Asset Transfer Case and the Merger Case.

On July 31, 2013, the VSCC issued an Order in Case No. PUE-2012-00141 in which, among other things and subject to certain findings and requirements, it granted the Companies' request for the transfer of the Amos Asset to APCo and the Companies' request to merge, but denied the Companies' request for the transfer of the Mitchell Asset to APCo.

On December 13, 2013, this Commission issued an Order in the then-consolidated Asset Transfer and Merger Cases (the "December 13, 2013 Order"). The December 13, 2013 Order was a final Order in the Asset Transfer Case. Among other things, the Commission approved the transfer to APCo of the Amos Asset, and did not approve but withheld a final ruling on the transfer to APCo of the Mitchell Asset. The Commission declined to issue a final Order respecting the Merger, but directed the Merger Case to remain open. The Commission required

APCo to file in the Merger Case by March 3, 2014 an Updated Plan to serve the WPCo load after the Merger.

In its discussion of the Merger in the December 13, 2013 Order, the Commission emphasized the importance of securing a long-term, reasonably priced supply of capacity and energy to meet the needs of WPCo's customers. WPCo's load is currently served by a contract with Generation Resources (the "WPCo Contract"), which replaced WPCo's power supply contract with OPCo. The WPCo Contract will terminate if some alternate supply mechanism for WPCo is implemented. Moreover, as the Commission noted in its December 13, 2013 Order, the WPCo Contract "may be cancelled at any time upon only a one year notice."¹ December 13, 2013 Order at 34. In its December 13, 2013 Order, the Commission observed that the transfer of the Mitchell Asset to APCo, as proposed by APCo in the Asset Transfer Case, would provide adequate capacity to meet the WPCo load at a cost that would provide net benefits to the Companies' West Virginia customers. However, the Commission concluded that, in light of the July 31, 2013 VSCC Order in Case No. PUE-2012-00141, the transfer of the Mitchell Asset to APCo could not proceed as proposed at this time. *Id.* at 45 (Conclusion of Law No. 42).

The Commission noted that, without the transfer of the Mitchell Asset, APCo would be left without a clear plan to serve WPCo's load and that a significant capacity shortfall would arise in the event of the Merger. *Id.* at 33. The Commission therefore concluded that it would not be in the public interest to consummate the Merger and create this capacity shortfall for APCo without a defined, economical, and achievable plan in place to cover the capacity shortfall. *Id.* at 33, 45 (Conclusion of Law No. 41). The Commission directed APCo to develop

¹ On February 28, 2014, the Federal Energy Regulatory Commission ("FERC") issued an Order in Docket No. ER-14-899-000 that approved the WPCo Contract for an initial term, up to December 31, 2014. The FERC's Order is attached as Exhibit F to this Updated Plan.

a plan to address this shortfall and determined that it would consider the Merger only after the filing of this Updated Plan to acquire readily achievable and reasonably priced long-term capacity and energy to meet WPCo's needs. *Id.* at 47.

The Updated Plan

Since the Commission issued its December 13, 2013 Order, the Companies have considered various options for serving the WPCo load. The Companies have concluded that (as the analyses and testimony presented in the formerly consolidated Asset Transfer and Merger Cases clearly demonstrated) the Mitchell Asset remains the best source of the capacity and energy supply to serve WPCo's load. Therefore, the Companies propose to serve the WPCo load with the Mitchell Asset.² But, since there appears to be only one practical option of transferring the Mitchell Asset, without significant issues and lead time and without the consent of the VSCC, which may or may not be obtainable, the Companies propose to transfer the Mitchell Asset to WPCo.

The Companies therefore request the Commission's consent and approval, pursuant to W.Va. Code §24-2-12, to enter into an arrangement whereby the Mitchell Asset will be transferred to WPCo (the "WPCo Mitchell Transfer").

The Companies propose that the WPCo Mitchell Transfer be accomplished within the next few months with a transfer price of the then-existing net book value of the Mitchell Asset. With the transfer to WPCo of the Mitchell Asset, the WPCo Contract would terminate. The Companies further propose to effect the WPCo Mitchell Transfer through a series of near

² The Companies considered different possible avenues to effect that result, including (1) a transfer of the Mitchell Asset to APCo to serve the post-merger load, but with a direct assignment of the Mitchell Asset to the West Virginia jurisdiction for ratemaking purposes and (2) a comparable transfer of the Mitchell Asset to a West Virginia company resulting from an APCo that has been corporately separated into two state jurisdictions.

simultaneous transactions to ensure that the transfer is accomplished without producing unintended tax results. This series of transactions would be comparable to the series of transactions by which the Amos Asset was transferred to APCo pursuant to the Commission's December 13, 2013 Order and which APCo described in detail in its 2012 Asset Transfer Petition. Exhibit A to this filing shows the anticipated transactions, which are described in more detail below, to execute the transfer of the Mitchell Asset from Generation Resources to WPCo.

With respect to the specific timing of the WPCo Mitchell Transfer transaction, the Companies propose a closing at or around June 30, 2014. This date provides a number of advantages. It would sync up with the expected date of such revised rates as may be ordered by the Commission in the Companies' 2014 ENEC proceeding and thus permit the coordination of regulatory action on rates associated with both the ENEC proceeding and the WPCo Mitchell Transfer. Also, it would provide the Companies' customers with the benefits of power from the Mitchell Asset during the summer months of 2014, when the power markets may well be characterized by seasonally higher costs and volatility. In order to accommodate a June 30, 2014 closing, the Companies respectfully request a final order on the WPCo Mitchell Transfer by June 13, 2014.

Reasons for Adopting the Plan

The WPCo Mitchell Transfer offers significant advantages to the Companies' West Virginia customers. As an initial matter, the Mitchell Plant is well known to the Commission and the Companies. It is a high quality asset, with ready access to fuel. It has the environmental controls needed to ensure its compliance with the Mercury and Air Toxics Standards Rule (the "MATS Rule"). Mitchell is located in WPCo's service area and provides a significant number of

jobs to West Virginia residents and tax revenues to West Virginia governmental bodies. These benefits were considered in detail in testimony and studies submitted in the formerly-consolidated Asset Transfer and Merger Cases and recognized by the Commission in its December 13, 2013 Order. December 13, 2013 Order at 40 (Findings of Fact 47-50). The Commission observed that the Mitchell Plant “is expected to continue to provide competitive generation well into the future.” *Id.* at 30. Further, the Mitchell Plant is operated efficiently in accordance with good utility practice by the Companies’ affiliate Kentucky Power Company (“KPCo”), under the ultimate supervision of Jeffery D. LaFleur, Vice President of Generating Assets and a witness of the Companies in the formerly consolidated Merger and Asset Transfer Cases. The operation of the Mitchell Plant will not change with the WPCo Mitchell Transfer. KPCo, which owns the other one-half interest in the Mitchell Plant, as discussed further below, would continue to operate the Mitchell Plant after the WPCo Mitchell Transfer.

The WPCo Mitchell Transfer will ensure that the Companies’ West Virginia customers benefit from the many advantageous features of co-ownership of the Mitchell Plant.³ The WPCo Mitchell Transfer will provide a suitable amount of capacity to serve WPCo’s load and to accommodate projected load growth associated with the growing shale gas industry in the Wheeling area. Exhibit B attached to this filing shows the capacity and energy positions of a combined APCo/WPCo West Virginia jurisdiction, assuming the Companies’ Updated Plan to transfer the Mitchell Asset is approved. This exhibit demonstrates that the addition of the Mitchell Asset to the Companies’ portfolio of plants places the Companies’ West Virginia service areas in much more favorable energy and capacity positions. WPCo’s acquisition of the Mitchell Asset will ensure that the Companies’ West Virginia customers have adequate and

³ APCo’s West Virginia customers will be advantaged as well as WPCo’s because the Commission treats the Companies as one for ratemaking purposes.

reliable power supplies, while insulating them from the volatility of wholesale power markets. Indeed, this protection from power market volatility will become increasingly important, given the planned retirement of significant amounts of APCo and other coal-fired generating capacity in 2015, much of it as a result of the MATS Rule, on top of significant retirements over the past few years. PJM experienced the retirement of approximately 11,000 MW of generation in 2011-2013, and expects almost another 10,500 MW to be retired in 2014-2015. The experience of this winter's low temperatures and high market prices for power confirms the risks of power market volatility and the value that ownership of the Mitchell Asset would have for the Companies and their West Virginia customers.

The WPCo Mitchell Transfer is far superior to other options that might be contemplated, such as constructing new generating capacity, acquiring existing generating capacity, or procuring long-term contracts for power. As the Companies demonstrated in the formerly consolidated Asset Transfer and Merger Cases, these other options are problematic for a number of reasons. They would be more costly for the Companies' customers. Further, they could limit significantly the role of the Companies and this Commission in providing reasonably priced reliable electric service for West Virginia's residents. For example, negotiating a new wholesale power supply contract for WPCo could increase costs over which the Commission would have little regulatory oversight. The WPCo Mitchell Transfer is a long-term economical power supply option for the WPCo load, as demonstrated by the Companies' analyses admitted into evidence in the formerly consolidated Asset Transfer and Merger Cases.

The WPCo Mitchell Transfer is a significantly better option than a new unit power contract with Generation Resources to be supplied from the Mitchell Asset. Not only could such a unit power contract have many of the same shortcomings as a wholesale contract with an

unaffiliated third party, but it would also impose higher costs on the Companies' customers as a result of the higher financing costs to which Generation Resources will be subject.

In light of the manifest benefits of the WPCo Mitchell Transfer and the evidentiary record in the formerly consolidated Asset Transfer and Merger Cases, there is only one new issue that would need to be resolved as the Commission considers the WPCo Mitchell Transfer. This sole issue is the suitability of WPCo as the ultimate transferee of the Mitchell Asset. The Companies submit that WPCo is an appropriate transferee of the Mitchell Asset. As noted, the WPCo Mitchell Transfer will not result in any change to the operation of the Mitchell Plant. Further, because of the combined ratemaking for WPCo and APCo's West Virginia service territory, transferring the Mitchell Asset to WPCo provides all of the Companies' West Virginia customers with benefits of the Mitchell Asset. For West Virginia customers, this combined ratemaking provides benefits similar to those of the originally proposed transfer of the Mitchell Asset to APCo. For instance, at times the Mitchell Asset will produce energy in excess of WPCo's needs, while at other times there may be a need to supplement available capacity and energy with purchases from the market. However, due to the fact that APCo's units and the Mitchell Asset are dispatched as part of the same market, the results on fuel costs for West Virginia customers should be comparable to having the Mitchell Asset and APCo's units reside in a single company. As more fully explained elsewhere in this Updated Plan, however, the substitution of the Mitchell Asset for the WPCo Contract would move costs from ENEC rates to base rates.

Transaction Details

The WPCo Mitchell Transfer will be effected by means of a series of near-simultaneous transactions designed to ensure that the transfer of Mitchell is accomplished without producing

unintended tax results. First, Generation Resources will form a new wholly-owned subsidiary of Generation Resources (referred to as "NEWCO Wheeling"). Generation Resources will contribute to NEWCO Wheeling its interest in the Mitchell Plant. Generation Resources will then distribute its shares of NEWCO Wheeling to an intermediate holding company, AEP Energy Supply LLC (referred to herein as "AEP Energy Supply"), and AEP Energy Supply will distribute those shares to American Electric Power Company, Inc., the parent company. In the final step, NEWCO Wheeling will merge with and into WPCo, with WPCo being the surviving entity. The end result will be WPCo's ownership of an undivided fifty percent interest (approximately 780 MW) in Mitchell Units 1 and 2 and half of the various assets and liabilities associated with the Mitchell Plant. A graphic depiction of these transactions is attached hereto as Exhibit A. The form of the Agreement and Plan of Merger of WPCo and NEWCO Wheeling is attached hereto as Exhibit E.

One essential action necessitated by the WPCo Mitchell Transfer is the modification of the Mitchell Operating Agreement. A modified operating agreement will be developed which will remove Generation Resources and add WPCo. KPCo, the operator of the Mitchell Plant, and American Electric Power Service Corporation, the other party to the operating agreement, will continue to be parties to the agreement.

Attached to this filing as Exhibit C is a list of the proposed accounting entries associated with the transfer of the Mitchell Asset to WPCo. If the Commission's consent and approval of the WPCo Mitchell Transfer is granted, the Companies will make a future filing seeking any additional approval that may be required with respect to financing the asset transfer proposed in the Updated Plan, beyond the transfer of liabilities reflected on Exhibit C to this filing.

FERC Filings

Subsequent to this filing, the Companies will make any necessary filing(s) with the FERC for the approval of the WPCo Mitchell Transfer and any associated filings, such as approval of the Operating Agreement discussed previously and revisions to the Power Coordination Agreement to add WPCo as a party.

The Merger

The Companies recognize that the Merger has been under consideration by the Commission for some years and they remain committed to progressing toward its ultimate consummation. There has been some functional movement in that direction. While APCo and WPCo remain separate legal entities, various operational functions that OPCo used to provide for WPCo have been assumed by personnel of the Companies. These changes should be imperceptible to the Companies' customers and should facilitate any future transition to a merged company.

The principal impediment to a speedy conclusion of the Merger, however, is substantially the same set of circumstances that the Companies discussed in their briefs in the then-consolidated Asset Transfer and Merger Cases and that the Commission discussed in its December 13, 2013 Order, namely reconciling the decisions of this Commission with those of the VSCC. Any new or revised capacity plan for WPCo, including the Updated Plan, will affect significantly WPCo's operations. With such changes to the *status quo*, APCo concludes that it could not rely on the VSCC's approval of the Merger in its July 31, 2013 Order, the end result of which would be a surviving APCo that would own (post-merger) the very Mitchell Asset that the VSCC declined to approve being transferred to APCo. At the very least, APCo concludes that it would need to present to the VSCC the changed circumstances involved in the Merger once

WPCo's power supply plan has been determined. Accordingly, the Companies suggest that the Merger will need to await final regulatory approval by all the relevant regulatory bodies after the approval of a power supply plan for WPCo, before it can be consummated.

Deferring the Merger will not have an adverse effect on the Companies' West Virginia customers. Rather, it will provide those customers with significant advantages, by allowing them to receive the benefits of the Mitchell Asset at the earliest possible date, and irrespective of the ultimate outcome of other regulatory proceedings respecting the Merger.

Form 10 Representations

As part of its request for the Commission's consent and approval pursuant to W.Va. Code §24-2-12, the Companies provide below certain information to ensure compliance, to the extent necessary given the information already provided in the instant proceeding, with the requirements of the Commission's Rules of Practice and Procedure and, in particular, Rule 10.9 and Form 10.

The names of the Petitioners are Appalachian Power Company and Wheeling Power Company. APCo is incorporated in the Commonwealth of Virginia and authorized to do business in West Virginia. WPCo is incorporated in West Virginia. The Companies provide electric service as public utilities in West Virginia, subject to regulation by the Commission. Their principal office in West Virginia is at 707 Virginia Street, East, Charleston, West Virginia 25301.

The name of the affiliate with which the Petitioners wish to enter into an arrangement for the transfer of the Mitchell Asset is AEP Generation Resources Inc. It is incorporated in the State of Delaware and its principal office has an address of 1 Riverside Plaza, Columbus, Ohio 43215. Additionally, to facilitate the WPCo Mitchell Transfer as discussed above without

incurring unintended tax consequences, the special purpose affiliated entity NEWCO Wheeling will be used. NEWCO Wheeling will be incorporated in the State of West Virginia with its principal office address at 1 Riverside Plaza, Columbus, Ohio 43215. AEP Energy Supply is a Delaware limited liability company with its principal office address at 1 Riverside Plaza, Columbus, Ohio 43215.

The financial condition of the Companies and their affiliates is well known to the Commission. The Companies therefore request wavier of any requirement to file certificates of existence or financial data pursuant to Rule 21 and Form 10. In its December 13, 2013 Order, the Commission granted an exemption from filing statements of financial condition for APCo and its affiliates as required by Rule 21 and Form 10 and also granted an exemption from the filing of copies of articles of incorporation. The Companies submit that these exemptions dispose of any requirement to file certificates of existence or Rule 21 data in the instant proceeding with respect to all pertinent affiliates except NEWCO Wheeling and AEP Energy Supply. The Companies now seek waiver with respect to NEWCO Wheeling and AEP Energy Supply and also to the extent that any further waiver is necessary.

As noted above, a copy of the form of merger agreement pursuant to which the Mitchell Asset would be transferred to WPCo is attached as Exhibit E to this Updated Plan.

The WPCo Mitchell Transfer will enhance the service that the Companies provide to their customers and should be approved for the reasons set forth in this Updated Plan.

Statutory Standard

W.Va. Code §24-2-12 requires that the terms and conditions of the arrangement proposed herein are fair and reasonable, that the arrangement does not confer upon any party thereto an undue advantage over any other party thereto, and that the arrangement does not adversely affect

the public in West Virginia. The terms and conditions of the WPCo Mitchell Transfer are reasonable. As discussed herein, the proposed arrangement offers benefits to all of the entities involved and does not impose any disadvantages upon any entity. The WPCo Mitchell Transfer does not adversely affect the public in West Virginia. To the contrary, the public will be advantaged in a number of ways, particularly the segment of the public receiving its public utility electric service from APCo and WPCo. West Virginia customers of the Companies will be assured of adequate and reliable power supplies at reasonable prices and the long-term stability of the rates of the Companies' West Virginia customers will be enhanced.

Cost and Rate Impacts

The WPCo Mitchell Transfer will have certain rate impacts for the Companies' West Virginia customers. Since the Companies propose that the WPCo Mitchell Transfer occur simultaneously with the termination of the WPCo Contract, there will be a reduction in ENEC and an increase in base rate costs. The best approach to addressing these rate impacts would be to synchronize the rate impacts of ENEC reductions and base rate increases. Doing so will ensure the maximum level of rate stability. This is exactly the approach that the Commission followed when designing the Base Rate Surcharge associated with the Amos Asset.

The table below shows the estimated changes in the ENEC and base rate costs anticipated with the WPCo Mitchell Transfer and simultaneous cancellation of the WPCo Contract. More detail for the numbers shown in the table below is provided in Exhibit D.

	Annual Amounts		
	\$Millions		
	Asset Transfer Surcharge	ENEC	Net
Mitchell Fixed Costs	118		118
Mitchell Net Energy Costs		78	78
WPCo Contract (termination)		(173)	(173)
Net Cost	118	(95)	23

The Companies have considered these potential impacts in their request of a new ENEC rate effective July 1, 2014 and recommend that, effective with the closing of the WPCo Mitchell Transfer, assuming the Companies' requested ENEC increase is granted, an offsetting increase in a base rate surcharge rider and a reduction of ENEC rates of \$118 million should be implemented, thus resulting in no increase in total rates beyond the proposed ENEC increase. The Companies propose no additional change to ENEC in this proceeding, since it is recognized that the net \$23 million is within the range of historical variation from the Companies' forecasts. The base rate surcharge rider would be in effect until new base rates are established in the Companies' 2014 base rate case. Any difference between actual ENEC revenues and costs would be recognized in the Companies' 2015 ENEC case. That said, the Companies acknowledge that other procedural approaches could be taken, particularly given the Companies' 2014 ENEC and base rate cases.

With this approach to ratemaking, as noted above, the WPCo Mitchell Transfer would provide the Companies' West Virginia customers with significant benefits, including enhancing long term rate stability and mitigating the effects of wholesale power market volatility. Moreover, the Companies' West Virginia customers would have the benefit of any off system sales from the Mitchell Asset.

Procedural Schedule

The Companies recognize that certain procedural matters will need to be addressed as the Updated Plan and the Companies' request for the WPCo Mitchell Transfer are considered. These procedural matters include the information to be supplied by the Companies and a schedule for adjudicating the Companies' proposal. Additional procedural matters that could be addressed include intervention, notice, and the use of the evidentiary record in the formerly consolidated Asset Transfer and Merger Cases in the WPCo Mitchell Transfer docket. The Companies offer the following observations and comments.

The Companies respectfully suggest that the Commission issue a procedural Order detailing how consideration of the WPCo Mitchell Transfer should proceed and specifying times, to the extent necessary, for any additional intervention, discovery, supplemental testimony, and evidentiary hearings. This procedural Order should clarify the scope of the Commission's consideration of the WPCo Mitchell Transfer by noting that the evidentiary record in the formerly consolidated Asset Transfer and Merger Proceedings constitutes part of the evidentiary record in the Commission's consideration of the WPCo Mitchell Transfer, that the issues resolved by the December 13, 2013 Order are not subject to *de novo* re-litigation, and that the only issue to be ruled on is the suitability of WPCo as the ultimate transferee of the Mitchell Asset.

In any event, the Companies propose June 30, 2014 as the date of the WPCo Mitchell Transfer and the termination of the WPCo Contract. The Companies respectfully request that the Commission adopt a procedural schedule that allows for the adjudication of this proceeding comfortably in advance of that date, with the issuance of a final order by June 13, 2014.

WHEREFORE the Companies respectfully request that the Commission enter an Order approving this Updated Plan, granting its consent and approval for WPCo to enter into the proposed arrangement for the transfer of the Mitchell Asset, granting waivers as requested herein, and granting such other relief as may be appropriate.

Respectfully submitted,

APPALACHIAN POWER COMPANY and
WHEELING POWER COMPANY

By Counsel



William C. Porth (WV State Bar #2943)
Brian E. Calabrese (WV State Bar #12028)
Robinson & McElwee PLLC
P. O. Box 1791
Charleston, West Virginia 25326

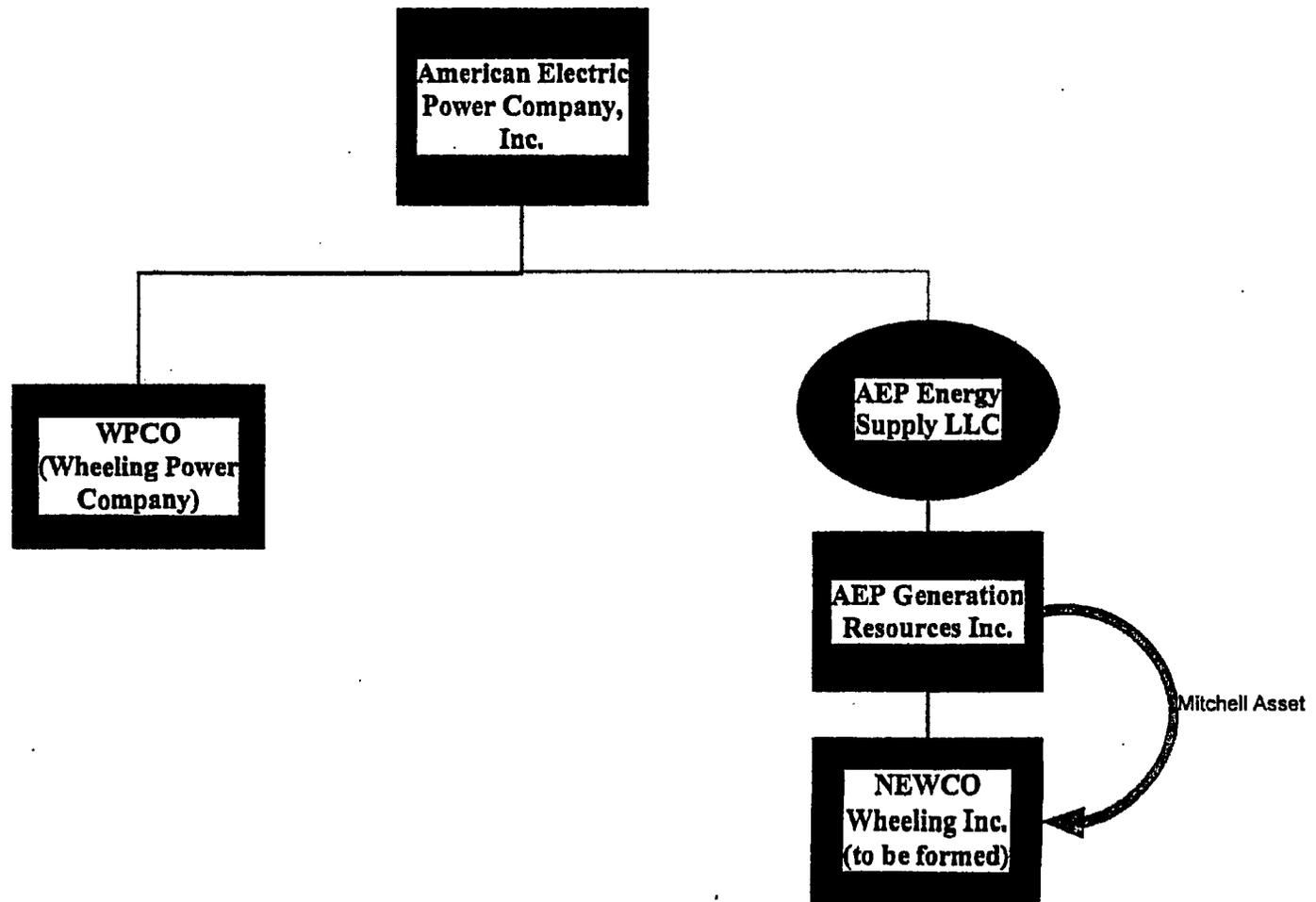
James R. Bacha
Hector Garcia
Yazen Alami
American Electric Power Service Corporation
1 Riverside Plaza
Columbus, Ohio 43215

Counsel for Appalachian Power Company
and Wheeling Power Company

Dated: March 4, 2014

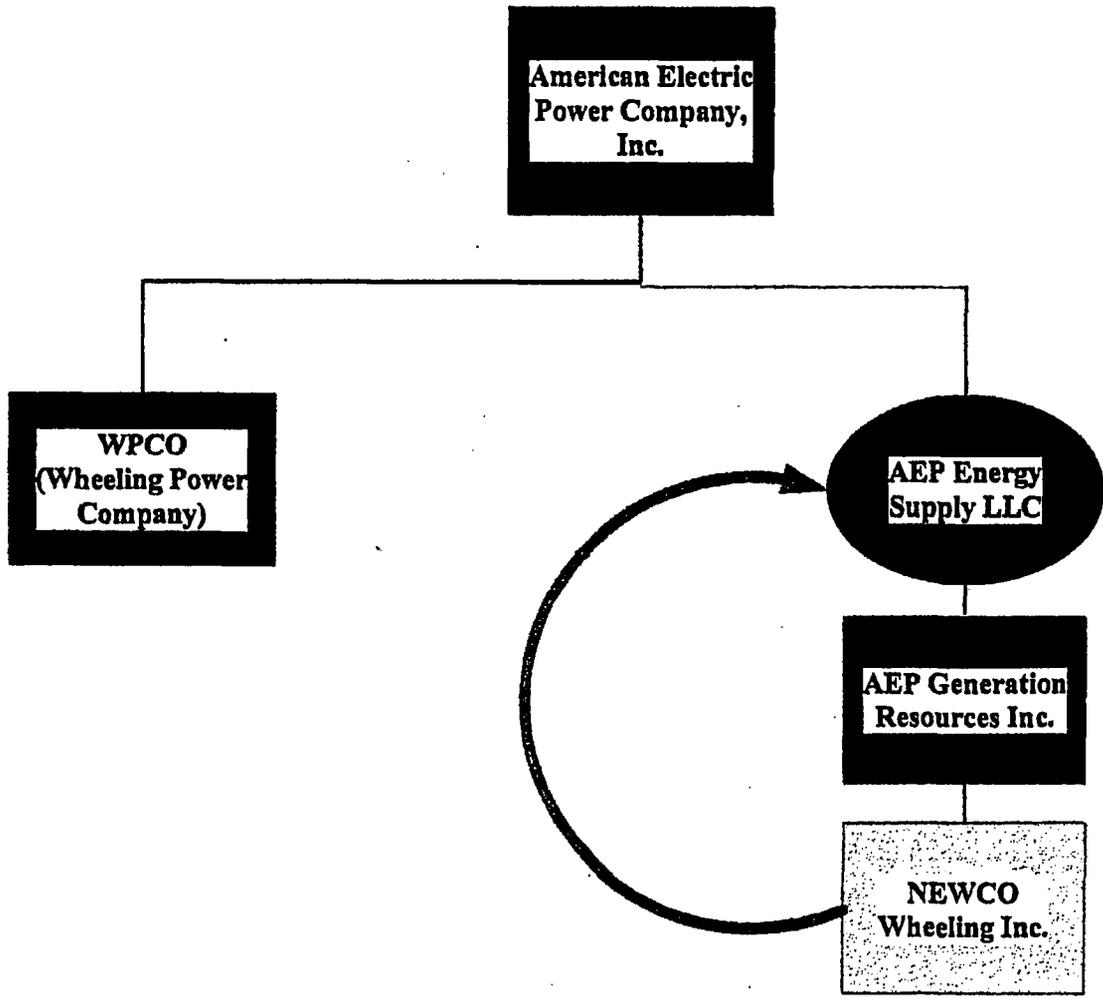
AMERICAN ELECTRIC POWER

Step 1: AEP Generation Resources contributes Mitchell Asset to NEWCO Wheeling



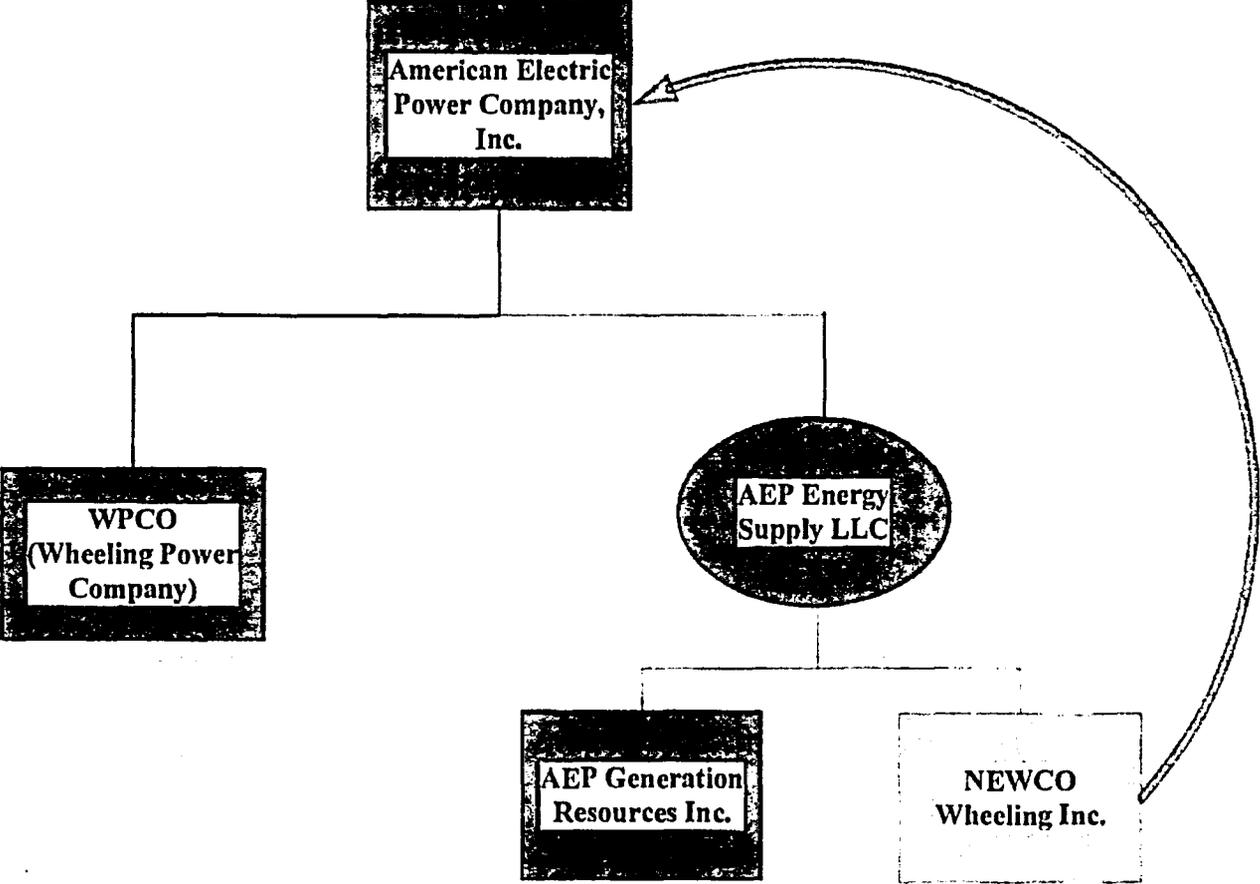
AMERICAN ELECTRIC POWER

Step 2: NEWCO Wheeling Inc. shares distributed to AEP Energy Supply LLC



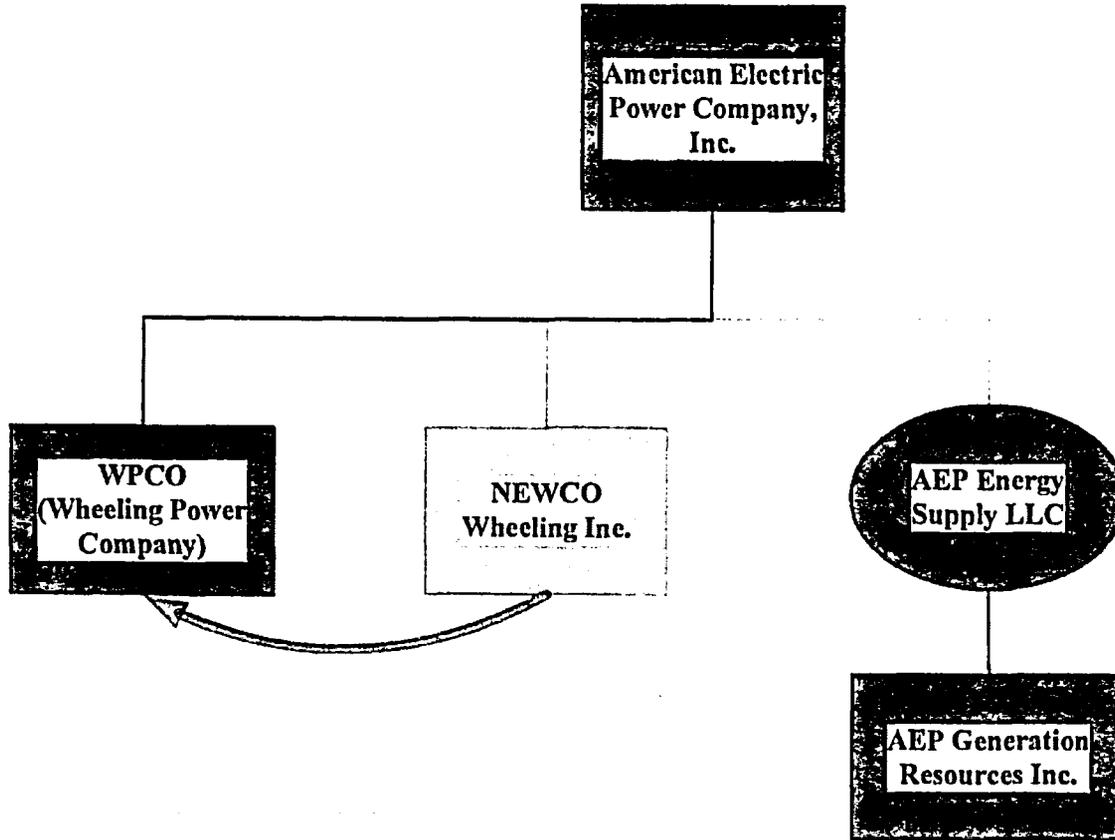
AMERICAN ELECTRIC POWER

Step 3: NEWCO Wheeling Inc. shares distributed to AEP Company, Inc.

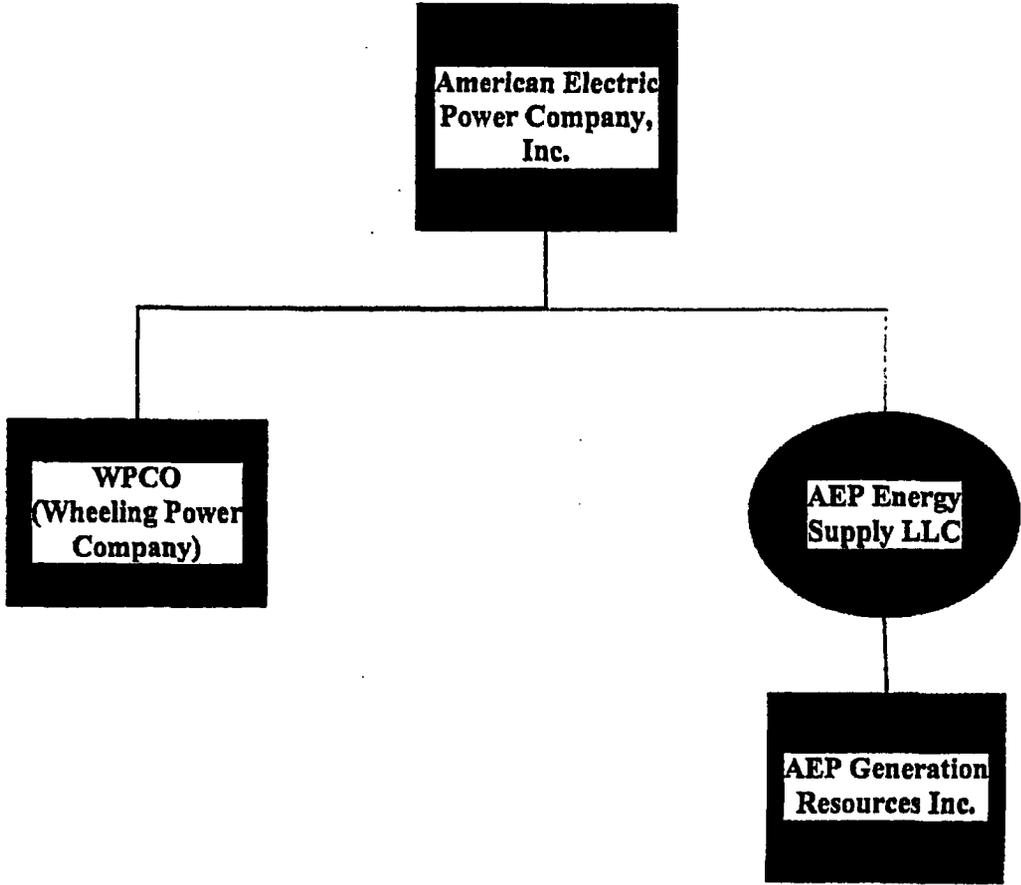


AMERICAN ELECTRIC POWER

Step 4: NEWCO Wheeling Inc. merges into Wheeling Power Company



AMERICAN ELECTRIC POWER
FINAL STRUCTURE



NET CAPACITY AND ENERGY POSITIONS FOR WV

CAPACITY - NET MW ABOVE PJM RESERVE REQUIREMENT OF 15.7%

<u>PJM PY</u>	<u>TOTAL West Virginia</u>			
	<u>APC 100%</u>	<u>APC 43.4%</u>	<u>WPC 100%</u>	<u>TOTAL WV Jurisdiction</u>
2015	75	33	178	211
2016	67	29	168	198
2017	16	7	165	172
2018	362	157	163	320
2019	370	161	161	321
2020	351	152	158	310
2021	300	130	154	284

ENERGY - NET GWH PURCHASES (MARKET SALES LESS MARKET PURCHASES) - SHORT POSITION = ()

<u>Year</u>	<u>TOTAL West Virginia</u>			
	<u>APC 100%</u>	<u>APC 42.6%</u>	<u>WPC 100%</u>	<u>TOTAL WV Jurisdiction</u>
2015	(3,920)	(1,670)	532	(1,138)
2016	(3,777)	(1,609)	1,200	(409)
2017	(1,795)	(765)	1,313	548
2018	(3,080)	(1,312)	1,209	(103)
2019	(2,452)	(1,045)	1,154	109
2020	(2,778)	(1,183)	1,384	201
2021	(2,890)	(1,231)	1,152	(80)

WHEELING POWER COMPANY PROPOSED ACCOUNTING ENTRIES

Wheeling Power Company is providing proposed accounting entries reflecting the proposed transfer of AEP Generation Resources' generation assets and related liabilities to Wheeling Power Company.

The proposed accounting entries in this filing are based on account balances as of December 31, 2013. While these balances reasonably represent the expected assets, liabilities and total capitalization to be transferred, the actual account balances at the time of transfer will be different and the methods employed will be more detailed and precise. The transfer of assets constituting an operating unit or system will be recorded through Account 102 consistent with the instructions of Electric Plant Instruction No. 5 of the Federal Energy Regulatory Commission's Uniform System of Accounts.

Wheeling Power Company will submit proposed final accounting entries within six months of the consummation of the transaction reflecting all entries made on the books and records of Wheeling Power Company pursuant to the Federal Energy Regulatory Commission's Uniform System of Accounts, along with appropriate narrative explanations describing the basis for the entries.

A. TO BE RECORDED ON THE BOOKS OF WHEELING POWER COMPANY (WPCO):

ENTRY 1: TO RECORD THE TRANSFER OF CERTAIN GENERATION ASSETS & RELATED LIABILITIES TO WPCO (Based on 12/31/13 Balances)

Account	Account Description	(in thousands)	
		Debit	Credit
102	Electric Plant Purchased or Sold	682,308	
124	Other Investments	2,634	
151	Fuel Stock	32,979	
152	Fuel Stock Expenses Undistributed	1,041	
154	Plant Materials and Operating Supplies	10,533	
158.1, 158.2	Allowances	3,159	
182.3	Regulatory Assets	28,835	
186	Miscellaneous Deferred Debits	4,474	
190	Accumulated Deferred Income Tax	21,033	
201-226	Proprietary Capital & Long-term Debt		556,871
230	Asset Retirement Obligations		16,421
236	Taxes Accrued		4,175
242	Miscellaneous Current and Accrued Liabilities		267
253	Other Deferred Credits		356
281	Accum. Deferred Income Taxes-Accelerated Amort Property		61,534
282	Accum. Deferred Income Taxes-Other Property		93,124
283	Accum. Deferred Income Taxes-Other		54,248
	Total	786,996	786,996

ENTRY 2: TO CLEAR THE BALANCE IN ACCOUNT 102 TO THE APPROPRIATE ELECTRIC PLANT ACCOUNTS, IN ACCORDANCE WITH CFR 18 PART 101, ELECTRIC PLANT INSTRUCTIONS 5(B).

Account	Account Description	(in thousands)	
		Debit	Credit
101-106	Utility Plant	917,142	
107	Construction Work In Progress	75,253	
102	Electric Plant Purchased or Sold		682,308
108, 111, 115	Accum Prov for Depreciation & Depletion - Utility		310,087
	Total	992,395	992,395

Wheeling Power Company
Estimated Surcharge for
Transferring 50% of Mitchell Plant to WPCo

Line	Revenue Requirement* (\$000)
(1) Rate Base (a)	\$577,973
(2) Rate of Return (b)	7.176%
(3) Return Component on Plant In Service	\$41,475
(4) Rate Base Financed by Equity (b)	\$252,249
(5) Return on Rate Base Financed by Equity	\$25,225
(6) Return Grossed Up for Taxes	\$33,904
(7) Income Taxes (@ 25.6%) (c)	\$8,680
(8) Pre-tax Return Requirement	\$50,155
(9) O&M Expense	\$32,069
(10) Depreciation and Amortization	\$29,463
(11) Taxes Other Than Income Taxes	\$6,394
(12) Annual Revenue Requirement	\$118,081

*Excludes ENEC components

- (a) Rate base at transfer date will include environmental CWIP, if any.
- (b) Based on Capital Structure and 10% Return on Equity from case nos. 13-0467-E-GI and 10-0699-E-42T, respectively. Includes est. cost for WPCo L-T Debt of 5.25%.
- (c) Tax rate approved in case number 10-0699-E-42T.

APPALACHIAN POWER COMPANY
AND WHEELING POWER COMPANY
Expanded Net Energy Cost
With Wheeling Contract Compared to Mitchell Transfer to Wheeling
(\$000)

Line No.		ENEC With Wheeling Contract	ENEC Impacts With Mitchell Transfer to WPCo	Comparison Totals
1	<u>Expanded Net Energy Cost (\$000)</u>			
2	Fossil Generation (Energy)			
3	Fuel Expense	758,881	92,528	851,409
4	Fuel Handling	48,599	3,791	50,391
				-
5	Plus:			
6	Purchased Power Non-Affil (Energy)	277,545	20,513	298,058
7	Purchased Power Non-Affil (Demand)	-	-	-
8	Purchased Power Affil (Demand)	-	-	-
9	Purchased Power Affil (Energy)	-	-	-
10	Purchased Power - Wind (Energy)	64,221	-	64,221
11	PJM Ancillaries (Demand)	(9,048)	(1,231)	(10,279)
12	PJM Ancillaries (Energy)	29,934	3,001	32,935
13	Capacity Settlement (Demand)	-	-	-
14	Off-System Sales Received from Pool (Energy)	-	-	-
15	Primary Energy Received (Energy)	-	-	-
16	FTR Revenue Net of Congestion Costs - LSE (Demand)	4,526	465	4,990
17	Transmission Losses (Energy)	15,506	1,505	17,011
18	SO ₂ , NO _x and CO ₂ Expenses (Energy)	50,593	7,655	58,248
		-	-	-
19	Less:			
20	Energy Delivered to Pool for Off-System Sales (Energy)	-	-	-
21	Primary Energy Delivered (Energy)	-	-	-
22	Transmission Agreement Costs (Demand)	(93,540)	(9,827)	(103,368)
23	3rd Party Transmission Revenue (Demand)	86,760	5,720	92,480
24	3rd Party Transmission Revenue (Energy)	105	-	105
25	Off-System Sales Revenue COGS (Demand)	-	-	-
26	Off-System Sales Revenue COGS (Energy)	121,692	33,960	155,653
27	Off-System Sales Margin (Demand)	6,181	2,422	8,603
28	Off-System Sales Margin (Energy)	64,897	17,218	82,115
29	Gain/(Loss) on Sale of Allowances (Energy)	153	271	424
30	Total Expanded Net Energy Cost (\$000)	<u>1,052,510</u>	<u>78,465</u>	<u>1,130,974</u>
31	<u>Expanded Net Energy Cost (Demand & Energy)</u>			
32	Total Demand	(3,923)	920	(3,004)
33	Total Energy	1,056,433	77,545	1,133,978
34	Total Expanded Net Energy Cost (\$000)	<u>1,052,510</u>	<u>78,465</u>	<u>1,130,974</u>
35	Memo Items:			
36	Amos Low Sulfur Coal Inventory	20,528	-	20,528
37	Transmission Agreement Phase-in Deferrals	1,150	-	1,150
38	Wheeling Contract Expenses (Demand)	54,521	(54,521)	-
39	Wheeling Contract Expenses (Energy)	118,633	(118,633)	-
	Total	<u>1,247,342</u>	<u>(94,889)</u>	<u>1,152,653</u>

AGREEMENT AND PLAN OF MERGER

BETWEEN

WHEELING POWER COMPANY

a West Virginia corporation

and

NEWCO WHEELING INC.

a West Virginia corporation

This **AGREEMENT AND PLAN OF MERGER** is entered into as of this ____ day of _____, 201_, under Section 31D-11-1102 and 31D-11-1106 of the West Virginia Corporation Act, between **WHEELING POWER COMPANY**, a West Virginia corporation (“WPCo”), and **NEWCO WHEELING INC.**, a West Virginia corporation (“NEWCO Wheeling”).

RECITALS

1. WPCo is a corporation duly organized, validly existing and in good standing under the laws of West Virginia and is a wholly owned subsidiary of American Electric Power Company, Inc., a New York corporation (“AEP”), which is a public utility holding company. WPCo is a regulated public utility engaged in the business of providing electric power and related services to its customers.
2. NEWCO Wheeling is a corporation duly organized, validly existing and in good standing under the laws of West Virginia and is a wholly owned subsidiary of AEP. NEWCO Wheeling owns certain electric generating facilities; however, it is not a regulated public utility.
3. WPCo currently has authorized 150,000 shares of common stock, no par value, of which 150,000 are issued and outstanding and held by AEP.
4. NEWCO WPCo currently has authorized 100 shares of common stock, no par value, of which 100 are issued and outstanding and held by AEP.
5. The Federal Energy Regulatory Commission and the Public Service Commission of West Virginia have authorized the merger of NEWCO Wheeling with and into WPCo.

6. The Boards of Directors of WPCo and NEWCO Wheeling have each determined that it is in the best interest of both companies and their shareholders to merge NEWCO Wheeling with and into WPCo, and have, by resolutions, duly approved and adopted this Agreement and Plan of Merger. AEP, the sole shareholder of WPCo and NEWCO Wheeling, has approved this Agreement and Plan of Merger.

AGREEMENT

Now, therefore, in consideration of the premises and agreements contained herein, the parties agree as follows:

ARTICLE I NAMES OF CORPORATIONS; MERGER

The names of the constituent corporations to the merger are "Wheeling Power Company" and "Newco Wheeling Inc." In accordance with the laws of West Virginia and this Agreement and Plan of Merger, NEWCO Wheeling shall be merged with and into WPCo which shall be, and is herein referred to as, the "Surviving Corporation."

ARTICLE II EFFECTIVE TIME

As soon as practicable after the execution hereof, Articles of Merger shall be filed, as required by the West Virginia Corporation Act, with the Secretary of State of West Virginia. The merger shall become effective at ____ p.m. on _____, 201_. Such date and time shall be the "Effective Time" referred to in this Agreement and Plan of Merger.

ARTICLE III

**EFFECT OF MERGER; ARTICLES OF INCORPORATION;
BY-LAWS; DIRECTORS AND OFFICERS ON THE EFFECTIVE DATE**

- 3.1 At the Effective Time, NEWCO Wheeling shall be merged with and into WPCo (the "Merger"), the separate corporate existence of NEWCO Wheeling shall cease, and WPCo shall be the continuing and Surviving Corporation in the merger and shall continue to exist under the laws of West Virginia.
- 3.2 The Surviving Corporation shall have all the rights, privileges, immunities and powers and shall be subject to all of the duties and liabilities of a corporation organized under the West Virginia Corporation Act. Title to all real estate and other property owned by WPCo and NEWCO Wheeling shall be vested in the Surviving Corporation and the Surviving Corporation shall have all the liabilities of WPCo and NEWCO Wheeling. Any proceeding pending against WPCo or NEWCO Wheeling at the Effective Time may be continued as if the Merger did not occur or the Surviving Corporation may be substituted in such proceeding in the case of any such proceeding against NEWCO Wheeling.
- 3.3 The Restated Articles of Incorporation of WPCo, as in effect immediately prior to the Effective Time, shall be the Restated Articles of Incorporation of the Surviving Corporation until they shall thereafter be duly altered or amended.
- 3.4 The By-Laws of WPCo, as in effect immediately prior to the Effective Time, shall be the By-Laws of the Surviving Corporation until they shall thereafter be duly altered or amended.

- 3.5 The directors and officers of WPCo immediately prior to the Effective Time shall continue to be the directors and officers of the Surviving Corporation until changed in accordance with law.

ARTICLE IV CONVERSION OF SHARES

The manner of carrying into effect the Merger, and the manner and the basis of converting and canceling the capital stock of the constituent companies, shall be as follows: At the Effective Time, (1) each share of capital stock of WPCo then issued and outstanding shall, by virtue of the Merger and without any action by the holder thereof, constitute one issued and outstanding share of stock of the Surviving Corporation and shall include the same rights, privileges and preferences as appertained to the capital stock of WPCo immediately prior to the merger; (2) each share of capital stock of NEWCO Wheeling then issued and outstanding shall, by virtue of the Merger and without any action by the holder thereof, be canceled and extinguished; and (3) no new or additional stock of the Surviving Corporation shall be issued in consummating the Merger.

ARTICLE V MISCELLANEOUS

- 5.1 The parties to this Agreement and Plan of Merger shall pay the expenses incurred by each of them, respectively, in connection with the transactions contemplated herein.
- 5.2 The title of this Agreement and Plan of Merger and the headings herein set out are for the convenience of reference only and shall not be deemed to be part of this Agreement and Plan of Merger.

- 5.3 Subject to applicable law, this Agreement and Plan of Merger may be amended by agreement between the parties hereto and approved by their respective Board of Directors.
- 5.4 This Agreement and Plan of Merger and the legal relations between the parties hereto shall be governed by and construed in accordance with the laws of West Virginia.
- 5.5 The parties intend that, for United States federal income tax purposes, the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and that this Agreement and Plan of Merger will be, and is hereby, adopted as a plan of reorganization for purposes of Section 368(a) of the Code.

Signatures appear on the following page

IN WITNESS WHEREOF, each of WPCo and NEWCO Wheeling has caused this Agreement and Plan of Merger to be executed on its behalf and in its corporate name as of the date first above written.

WHEELING POWER COMPANY

By _____
Its _____

NEWCO WHEELING INC.

By _____
Its _____

146 FERC ¶ 61,141
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Acting Chairman;
Philip D. Moeller, John R. Norris,
and Tony Clark.

AEP Generation Resources Inc.

Docket No. ER14-899-000

ORDER GRANTING AUTHORIZATION TO MAKE AFFILIATE SALES AND
ACCEPTING TARIFF FILING

(Issued February 28, 2014)

1. In this order, we accept the power supply agreement (Assigned Contract) filed on December 30, 2013 by AEP Generation Resources Inc. (AEP Generation), effective January 1, 2014. In light of the totality of the facts and circumstances of this case, we grant AEP Generation's request for authorization to make wholesale power sales to its affiliate Wheeling Power Company (Wheeling) for an initial term, effective January 1, 2014 and expiring on or before December 31, 2014, as discussed below. We also grant AEP Generation's request for waiver of 18 C.F.R. §§ 35.11, 35.13, and 35.39(b), as discussed below.

I. Background

2. Ohio Power Company (Ohio Power), AEP Generation, and Wheeling are subsidiaries of American Electric Power Company, Inc. AEP Generation states that Wheeling serves retail customers in West Virginia but does not own or operate any generating facilities, and that Ohio Power entered into a full requirements contract (Existing Contract) with Wheeling on November 29, 2009. The Existing Contract was accepted on January 8, 2010.¹

3. AEP Generation states that the Existing Contract was to terminate upon the merger of Wheeling into Appalachian Power Company (Appalachian) (Wheeling-Appalachian merger), which was expected to take place on or about December 31, 2013. AEP Generation states, however, that the Public Service Commission of West Virginia (West Virginia Commission) issued an order on December 13, 2013 deferring its ruling on the

¹ *Ohio Power Co.*, Docket No. ER10-275-000 (Jan. 8, 2010) (delegated letter order). See *Ohio Power Company First Revised Rate Schedule* FERC No. 18.

merger subject to further evaluation of alternatives to serve Wheeling's load.² As a result of the West Virginia Commission's deferral, the Wheeling-Appalachian merger was not consummated by December 31, 2013.

4. AEP Generation states that it was formed to take ownership of and operate generation resources previously owned by Ohio Power. AEP Generation explains that those generation resources were transferred to AEP Generation on or about December 31, 2013 as part of Ohio Power's state-mandated corporate reorganization approved by the Commission on April 29, 2013³ under section 203 of the Federal Power Act.⁴ AEP Generation states that because the Wheeling-Appalachian merger did not close as originally proposed, Wheeling needs the power provided under the Existing Contract to serve its retail customers on and after January 1, 2014. Accordingly, AEP Generation states that the Existing Contract was assigned to AEP Generation who would begin serving Wheeling on January 1, 2014 under the Assigned Contract. As a result of the assignment of the Existing Contract from Ohio Power Company to AEP Generation, AEP Generation has requested authority to make sales to its affiliate, Wheeling (Proposed Transaction), as well as acceptance of the Assigned Contract.

II. Request for Waiver and Authorization to Make Affiliate Sales

5. AEP Generation notes that section 35.39(b) of the Commission's regulations⁵ provides that sales of electric energy and capacity between a franchised public utility with captive customers and a market-regulated power sales affiliate must receive prior Commission approval. AEP Generation submits that good cause exists for the Commission to waive the requirements under section 35.39(b) of its regulations. AEP Generation states that it did not know with certainty until mid-December that the Wheeling-Appalachian Merger would not close on December 31, 2013 as originally proposed and that Ohio Power would thus need to transfer the Existing Contract to AEP

² See *Appalachian Power Co. and Wheeling Power Co.*, Docket No. 11-1775-E-P (Public Service Commission of West Virginia, Dec. 13, 2013). AEP Generation notes that the Virginia State Corporation Commission approved the Wheeling-Appalachian merger, subject to certain conditions, and that the transaction was submitted to the Commission and approved in *Appalachian Power Co. and Wheeling Power Co.*, 143 FERC ¶ 62,072 (2013).

³³ *Ohio Power Co. and AEP Generation Resources, Inc.*, 143 FERC ¶ 61,075 (2013) (*Ohio Power*), order on reh'g, 146 FERC ¶ 61,016 (2014).

⁴ 16 U.S.C. § 824b (2012).

⁵ 18 C.F.R. § 35.39(b) (2013).

Generation. Therefore, AEP Generation states that it could not submit the Assigned Contract for prior approval 60 days before January 1, 2014. AEP Generation submits that by granting the waiver, the Commission will promote a seamless transition under the reorganization and enable Wheeling's load requirements to continue to be met under the same rates, terms, and conditions that have been accepted by the Commission.

6. AEP Generation further notes that parties to such transactions must demonstrate that their agreement does not show evidence of affiliate abuse such that the traditional franchised utility provided an undue preference (i.e., agreed to sell power at a price below-market or to purchase power at a price above-market) to its market-regulated power sales affiliate.⁶ AEP Generation states that this concern is not present here for the following reasons. AEP Generation states that it had no role in drafting the Existing Contract, because AEP Generation did not exist and there were no plans for corporate reorganization at the time. Additionally, AEP Generation states that the Existing Contract was negotiated between two franchised public utilities (Wheeling and Ohio Power). Moreover, AEP Generation represents that the Existing Contract was the result of a Joint Stipulation entered into by Wheeling, the West Virginia Commission staff and the Consumer Advocate Division of the West Virginia Commission.

7. AEP Generation notes that the Commission recognized in *Ohio Power* that if the Wheeling-Appalachian merger did not close by December 31, 2013, AEP Generation would assume Ohio Power's obligations under the Existing Contract. Further, AEP Generation explained in its section 203 application that "if the [Existing] Contract were assigned to AEP Generation Resources, there would be no adverse impact on Wheeling and its retail customers because the non-fuel components of the contract are fixed and the fuel charges will reflect the actual cost of the fuel consumed to serve Wheeling's load."⁷

III. Notice of Filing and Responsive Pleadings

8. Notice of AEP Generation's filing was published in the *Federal Register*, 79 Fed. Reg. 1374 (2014), with motions to intervene and protests due on or before January 21, 2014. None was filed.

⁶ See *Boston Edison Co. Re: Edgar Electric Energy Co.*, 55 FERC ¶ 61,382 (1991) (*Edgar*).

⁷ Application at 2 (citing Application for Authorization to Transfer Jurisdictional Assets under section 203 of the Federal Power Act, Docket No. EC13-26 (Oct. 31, 2012) at 24).

IV. Discussion

A. Affiliate Sales Analysis

9. In *Edgar*, the Commission stated that, in cases where affiliates are entering into market-based rate sales agreements, it is essential that ratepayers be protected and that transactions be above suspicion in order to ensure that the market is not distorted.⁸ According to *Edgar*, parties to such transactions must demonstrate that their agreement does not evidence affiliate abuse (i.e., that the traditional franchised utility did not provide an undue preference to its market-regulated power sales affiliate). The Commission extended the *Edgar* criteria in *Southern California Edison Company, On behalf of Mountainview Power Company, LLC*⁹ to apply to all affiliate long-term (one year or longer) power purchase agreements, whether cost-based or market-based.¹⁰

10. In *Edgar*, the Commission further provided “[t]he following examples of ways to demonstrate lack of affiliate abuse,” noting that the list was not necessarily all-inclusive: (1) evidence of head-to-head competition; (2) evidence of prices which non-affiliated buyers were willing to pay for similar services from the project; and (3) benchmark evidence that shows the prices, and terms and conditions of sales made by nonaffiliated sellers, which could include purchases made by the utility itself or by other buyers in the relevant market.¹¹

11. We do not agree with AEP Generation that the affiliate abuse concern is not an issue in this case. However, under the totality of the facts and circumstances of this particular case, we will grant AEP Generation’s request for waiver of section 35.39(b) of the Commission’s regulations and grant AEP Generation limited authorization to make

⁸ *Edgar*, 55 FERC at 62,167.

⁹ *Southern California Edison Company, On behalf of Mountainview Power Company, LLC*, 106 FERC ¶ 61,183, order on reh’g, 109 FERC ¶ 61,086 (2004), order on reh’g, 110 FERC ¶ 61,319 (2005).

¹⁰ *Id.* P 58.

¹¹ *Edgar*, 55 FERC at 62,168. See also *Market-Based Rates for Wholesale Sales of Electric Energy, Capacity and Ancillary Services by Public Utilities*, Order No. 697, FERC Stats. & Regs. ¶ 31,252, at P 540, clarified, 121 FERC ¶ 61,260 (2007), order on reh’g, Order No. 697-A, FERC Stats. & Regs. ¶ 31,268, clarified, 124 FERC ¶ 61,055, order on reh’g, Order No. 697-B, FERC Stats. & Regs. ¶ 31,285 (2008), order on reh’g, Order No. 697-C, FERC Stats. & Regs. ¶ 31,291 (2009), order on reh’g, Order No. 697-D, FERC Stats. & Regs. ¶ 31,305 (2010), *aff’d sub nom. Mont. Consumer Counsel v. FERC*, 659 F.3d 910 (9th Cir. 2011), *cert. denied*, 133 S. Ct. 26 (2012).

sales to Wheeling under the terms of the Assigned Contract for the initial Assigned Contract term, i.e., from January 1, 2014 through December 31, 2014.

12. We find that the following unique facts and circumstances in the totality warrant a waiver of section 35.39(b) of the Commission's regulations and limited authorization for the affiliate transaction: (1) the Proposed Transaction and related affiliate sale are the result of Ohio's state-mandated restructuring; (2) the affiliate sales authorization will be for a limited term (through no later than December 31, 2014), as noted below; (3) the rates, terms and conditions of the Assigned Contract have not changed from those in the Existing Contract; (4) the Existing Contract was the result of a Joint Stipulation involving, among others, the West Virginia Commission staff and the Consumer Advocate Division of the West Virginia Commission; (5) as stipulated in section 19.2 of the Assigned Contract, the West Virginia Commission is exploring options for meeting the future power supply requirements of Wheeling, and the Assigned Contract will terminate if some alternative supply mechanism is implemented for Wheeling, thus providing additional protection for captive retail customers; (6) Wheeling has an immediate requirement to supply power to its retail customers as of January 1, 2014; and (7) the parties did not know until mid-December that the Wheeling-Appalachian merger would not occur and that the Existing Contract would have to be assigned due to the actions of a third party, the West Virginia Commission.

13. As such, we will grant limited authorization for AEP Generation to make affiliate sales under the Assigned Contract until the earlier of: (1) the termination of the Assigned Contract upon consummation of the Wheeling-Appalachian merger; (2) the termination of the Assigned Contract upon the implementation of an alternative supply mechanism for the Wheeling load in accordance with section 19.2 of the Assigned Contract; or (3) the end of the initial term of the Assigned Contract on December 31, 2014.

14. In addition, we will require that if the Assigned Contract does not terminate prior to December 31, 2014 and AEP Generation intends to continue to make sales under the Assigned Contract to its affiliate, Wheeling, AEP Generation must request Commission authorization to continue performance under the Assigned Contract. Such request must be filed at least 60 days prior to December 31, 2014, and must include a traditional *Edgar* demonstration regarding affiliate abuse concerns as required by 18 C.F.R. § 35.39 of the Commission's regulations.

B. Power Supply Agreement

15. The terms of the Assigned Contract provide that AEP Generation will serve Wheeling's full load requirements under fixed terms including firm power, surplus power, curtailable service, back-up service, and maintenance service. The contract includes a fuel clause that reflects fuel costs associated with the energy delivered to Wheeling. Changes from the Existing Contract have been made to reflect the change in name of the seller, and the fact that AEP Generation does not have a service territory,

Docket No. ER14-899-000

franchised retail customers, or own or operate transmission facilities. There are no changes to the provisions setting out the non-fuel and fuel charge provisions, or the terms and charges for other various services from when the Existing Contract was accepted by the Commission on January 8, 2010.

16. We grant AEP Generation's request for waiver of the 60-day notice requirements to allow the Assigned Contract to become effective January 1, 2014.¹² Moreover, because the filing does not constitute a change in rates and there will be no impact on Wheeling's customers, to the extent 18 C.F.R. § 35.13(c) requires comparisons of "sales and services and revenues from sales and services under the rate schedule, tariff, or service agreement to be superseded," good cause exists to waive these requirements. We therefore grant AEP Generation's request for waiver of the provisions of 18 C.F.R. § 35.13 that would require it to provide cost-of-service information for this initial term ending on or before December 31, 2014, and 18 C.F.R. § 35.11 to the extent necessary to allow a January 1, 2014 effective date.

17. On the basis of the totality of the facts and circumstances of this case, as discussed above, we accept the Assigned Contract for filing effective January 1, 2014. We remind AEP Generation's affiliate, Ohio Power, that, pursuant to 18 C.F.R. § 35.15, it needs to make a filing to cancel the Existing Contract.¹³

The Commission orders:

(A) AEP Generation's request for waiver of sections 35.11, 35.13, and 35.39(b) is granted, as discussed in the body of this order.

(B) AEP Generation's request for authorization to make power sales to Wheeling under the Assigned Contract is granted effective January 1, 2014 until the earlier of: (1) the termination of the Assigned Contract upon consummation of the Wheeling-Appalachian Merger; (2) the termination of the Assigned Contract upon the implementation of an alternative supply mechanism for the Wheeling load in accordance with section 19.2 of the Assigned Contract; or (3) the end of the initial term of the Assigned Contract on December 31, 2014, as discussed in the body of this order.

¹² See *Cent. Hudson Gas & Elec. Corp.*, 60 FERC ¶ 61,106, at 61,338 (1992).

¹³ Ohio Power Company First Revised Rate Schedule FERC No. 18.

Docket No. ER14-899-000

(C) The Assigned Contract is accepted for filing effective January 1, 2014, as discussed in the body of this order.

By the Commission.

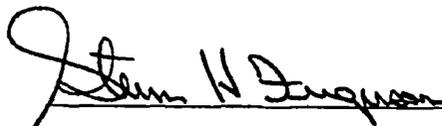
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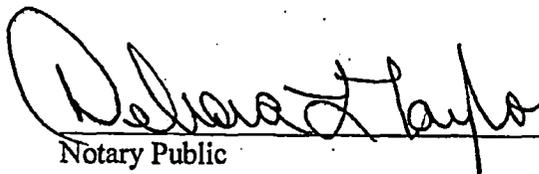
Nathaniel J. Davis, Sr.,
Deputy Secretary.

VERIFICATION

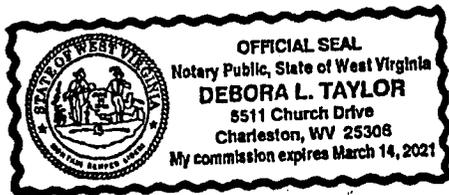
STATE OF WEST VIRGINIA)
)
COUNTY OF KANAWHA) to-wit:

Before me, a Notary Public in and for the aforesaid jurisdiction, personally appeared Steven H. Ferguson, who, being by me first duly sworn, did depose and say that he is Vice President – Regulatory and Finance for Appalachian Power Company, that he has reviewed the foregoing filing and knows the contents thereof, and that the facts therein stated are true to the best of his information and belief. Subscribed and sworn to before me this 3rd day of March, 2014.





Notary Public



(SEAL)

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

CASE NO. 11-1775-E-P

**APPALACHIAN POWER COMPANY and
WHEELING POWER COMPANY,
public utilities.**

**Joint Petition for Evaluation of a Possible
Merger of Appalachian Power Company
and Wheeling Power Company.**

CERTIFICATE OF SERVICE

I, William C. Porth, counsel for Appalachian Power Company and Wheeling Power Company, do hereby certify that true copies of the foregoing filing were served by hand delivery or first-class U.S. Mail this 4th day of March, 2014, addressed to the following:

Leslie J. Anderson, Esquire
Public Service Commission
201 Brooks Street
Charleston, West Virginia 25301
*Counsel for
Staff of West Virginia
Public Service Commission*

Derrick P. Williamson, Esquire
Spilman Thomas & Battle, PLLC
1100 Bent Creek Blvd., Suite 101
Mechanicsburg, PA 17050
*Counsel for
West Virginia Energy Users Group*

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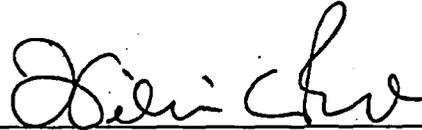
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